Relaxation of ECB norms

2872. SHRI K. RAMA MOHANA RAO: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Government are seriously considering to relax External Commercial Borrowing norms to enable the Indian corporates access to higher foreign capital at low-cost;

(b) what are the restrictions that the present ECB norms put on the Indian Corporates to raise borrowing from overseas;

(c) whether any time-frame has been fixed by which these restrictions are going to be relaxed; and

(d) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) As announced in the Budget 2005-06, window has been opened to enable qualified NGOs engaged in micro-finance to access the External Commercial Borrowing (ECB) window.

(b) As per extant guidelines, all corporates registered under the Companies Act, 1956 except financial intermediaries, are eligible borrowers under the automatic route for ECBs up to USD 500 million. Proposals not covered under the automatic route are considered by a committee set up by RBI. Financial institutions dealing exclusively with infrastructure or export finance can raise ECB through the approval route. Banks and financial institutions which had participated in the textile or steel sector restructuring package as approved by the Government will also be permitted to the extent of their investment in the package and assessment by RBI based on prudential norms.

ECB can be raised only for investment (such as import of capital goods, new projects, modernization/expansion of existing production units) in real sector, that is, industrial sector including Small and Medium enterprises (SME) and infrastructure sector—in India. Utilization of ECB proceeds is not permitted for on-lending, investment in capital market and in real estate by corporates except development of integrated township as defined by Ministry of Commerce and Industry. End uses of ECB for working capital, general corporate purpose and repayment of existing rupee loans are also not permitted.

(c) No, Sir.

(d) Does not arise.

Increase in LIC's Equity

2873. SHRI MURLI DEORA: Will the Minister of FINANCE be pleased to state:

(a) whether Government are allowing Life Insurance Corporation to increase its exposure to equity from 7 per cent to 10 per cent;

(b) if so, the details thereof and from which date;

(c) whether banks and pensions funds will also be asked to invest in equity and if so, the details thereof;

(d) whether professional fund managers will be allowed to manage LIC's equity portfolio without any interference/direction from Government; and

(e) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) to (e) The information is being collected and will be laid on the Table of the House.

Investments by Banks for Development of Industries

2874. PROF. M.M. AGARWAL: Will the Minister of FINANCE be pleased to state:

(a) the total amount of investments made in the different States of the country by the nationalised banks and financial institutions for the promotion and development of industries during the last three years, State-wise/ district-wise/year-wise/bank-wise;

(b) whether Government have formulated any specific Action Plan to liberalise the terms and conditions for grant of loan by the banks for setting up of various industries including SSI units in the country; and

(c) if so, the details thereof?